

Medicare Overview 2025



Dear Medicare Client,

Most of the avalanche of Medicare-related mail you will be receiving as you approach your 65th birthday promotes the benefits of a particular company or plan. You'll find the information below to be different than anything else you will receive. It describes how all the parts of Medicare Part D drug plans, Medicare Supplements, and Medicare Advantage plans work so you can see the differences as you consider your options. While this is a bit lengthy, I do believe you'll find it valuable as you prepare to enter the world of Medicare.

Enrollment: If you are receiving Social Security payments, you're automatically signed up for Medicare Parts A and B. You will receive your ID card 3 1/2 months before your Medicare effective date which for most people is the first day of the month they turn 65. If you're not getting a Social Security payment, you are not automatically signed up. The easiest way to enroll is online at www.medicare.gov. However, not everyone needs to take Medicare at 65. If you have group insurance-through your or a spouse's active employment and the employer has at least 20 employees, you may have the option to postpone enrollment without penalty.

One of the most common misconceptions people have is that Medicare is mandatory at 65 for everyone. Not enrolling in Medicare at age 65 may result in penalties for some, but taking Medicare at 65 may have penalties for others. The advice of friends and family may be well-intended but wrong if your circumstances differ from theirs. Some agents may advise you incorrectly due to inexperience or eagerness to make a sale. I am happy to help you determine whether or not you need to take Medicare at 65.

Cost: Most people qualify for Part A at no cost -"Premium-free Part A". I prefer to call it "Prepaid Part A" as it is only free because you have paid Medicare payroll taxes your entire working life. The cost for Part B is based on your income. Most people pay the standard amount of \$185.00 per month in 2025. People with a Modified Adjusted Gross Income (MAGI) greater than \$105,000 for individual tax filers or \$210,000 for joint filers pay more. How much more depends on your income. The top rate for Medicare Part B in 2025 is \$628 per month. If you believe you may be subject to this higher amount. MAGI is determined by adding lines 37 and 8b from your federal tax return. The determination is based on your tax return from two years ago; if you turn 65 in 2025, look at your 2023 return. A Medicare.gov explanation of Part B costs is attached later in this document for your reference.

People who are receiving a Social Security payment will have their Medicare premium deducted from that payment. Those not yet enrolled in Social Security will receive a quarterly invoice for Medicare Part B. Payments are due in advance, with the first payment due on the 25th day of the month before your Medicare starts.

Coverage: Medicare has two parts you get directly from the government, Parts A and B. There are two additional Parts to Medicare, Parts C and D, and Medicare Supplement Plans, which are available from insurance companies. The purpose of these additional health plans is to cover the large gaps in coverage, if you only had Part A and Part B.

- **Medicare Part A** primarily covers hospitalization (excluding doctors' charges), skilled nursing care and hospice. It covers the first 60 days in the hospital at 100% after you have paid a deductible of \$1,684 per stay-if more than 60 days separates the stays. Hospital stays that exceed 60 days require a \$421 per day copay which doubles to \$842 per day on the 91st day. Part A also covers skilled nursing care at 100% for the first 20 days, if preceded by a 3-day hospitalization. Days 21-100 require a copay of \$210.50- per day.

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- **Medicare Part B** covers outpatient medical care and doctor's charges in the hospital. The annual deductible for 2025 is \$257. Once you have paid the first \$257, Part B pays for 80% of your care and you pay 20%. Part B has no out-of-pocket limit on your portion; you are responsible for the remaining 20% regardless of the cost of treatment.

The recurring Part A deductible and the limitless 20% that you are responsible for under Part B are the main reasons that most people enrolled in Medicare choose to supplement their benefits. Two types of plans serve this purpose: Medigap and Medicare Advantage plans. They work very differently and one may suit you better than the other depending on your needs. Here is an overview on how each type of plan works:

Medigap Plans

- Medigap (also referred to as Medicare Supplement) plans pay after Medicare has paid its share for Medicare approved treatment. For example, if Medicare Part B covers a procedure at 80% the Supplement may cover all or most of the 20% remaining, depending on the plan you have.
- There are eleven standardized plan types-- A through N. All plans of the same letter are identical across companies; one company's Plan G, for example, has exactly the same benefits as every other company's Plan G. When you are turning 65, there is no medical qualification for acceptance; it's guaranteed for any plan.
- All eleven plans allow you to go to any doctor who participates in Medicare, and all eleven cover the same medical services. No plan is better than another in these areas.
- There are no physician or hospital networks or referrals required for a specialist's care in any Medigap plan. If your doctor takes Medicare, he or she takes every Medigap plan from every insurance carrier.
- There are only two differences between Medigap plans: the monthly premium you pay to the insurance company to have it and your out-of-pocket cost for medical care. The lower the monthly premium, the higher your out-of-pocket cost will be; for little or no out-of-pocket cost, you will pay more to your insurance company. It is important to combine the monthly premium and your out-of-pocket cost to determine which plan will have the best value for you.
- Medigap plans do not include drug coverage. If you choose a Medigap plan, you will also need to enroll in a Stand Alone drug plan (Medicare Part D) through an insurance company. Medicare imposes a lifetime late enrollment penalty for not having a drug plan when first eligible, if you do not have other coverage that Medicare recognizes as acceptable. For this reason, it is wise to enroll in a drug plan when you are first eligible-even if you're not taking prescription drugs-unless you are covered by a qualified employer drug plan. Part D plans are more expensive if you are a higher earner. A Part D monthly Premium table is attached at the end of this document.
- One big change in 2020 in Medicare is that two Medigap plans were eliminated for people who were newly eligible for Medicare in 2021. This includes Plan F, which has been a popular plan. Those already on Medicare can keep Plan F and C, although it would be wise to look at other options. The extra cost of these plans may be higher than the extra benefits they provide. It is important to note the Plan C is not the same as Part C, which is the other option you have to consider.

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Medicare Advantage (Medicare Part C)

- Medicare Advantage (MA) plans pay instead of Medicare, not after, as with Medigap plans. MA Plans are provided by insurance companies. You don't lose your Medicare benefits if you enroll in an MA Plan, but Medicare does not pay your claims if you have an MA Plan. Medicare pays the insurance company a subsidy and the company in turn pays your medical claims instead of Medicare. However, you are responsible for out-of-pocket costs (copays and coinsurance). Medicare guidelines prohibit including any plan specifics here, but you can expect MA plans to have lower monthly costs than Medigap plan, but higher out-of-pocket costs and restrictions on the doctors and hospitals you may use.
- Most medical care will have out-of-pocket costs, either a copay (a fixed dollar amount) or coinsurance (a percentage of the cost). MA plans have an out-of-pocket limit. Should your copays reach this limit in a calendar year, you will not have any copays or coinsurance for the rest of that year.
- There are HMO and PPO options. HMOs require you to receive all your medical care (except in an emergency) within a network of doctors and hospitals. You choose a primary care physician (PCP). To go to a specialist, your PCP usually has to refer you to a specialist in network. PPOs also have a network, but you can seek treatment from doctors outside of the network. You will pay more than what you would pay in-network.
- Most MA plans include prescription drug coverage, so you do not need a Stand Alone Part D drug plan.
- However, by selecting an MA plan you must also take the drug coverage that comes with the plan. This is unlike a Medigap plan where you can choose from more than 20 drug plans. Therefore, it is important to compare the total annual cost of each option before deciding between the two types of plans. If the MA plan's costs for your drugs are higher than the lowest cost Stand Alone Part D drug plan, this extra expense may cancel out the monthly premium savings of the MA plan.
- Medicare requires that any agent who assists you by discussing Medicare Advantage or Part D drug plans must have your advance consent on what is called a Scope of Appointment form. Be wary of any agent who disregards this important compliance rule or tries to avoid it by steering you away from considering certain types of plans, before evaluating your needs. Unsolicited contact about these plans by phone or door-to-door is also a violation of Medicare guidelines. This consent can be obtained easily by email.
- If you enroll in an MA plan when you turn 65 and change your mind for any reason during the first year, you may exercise your Guaranteed Issue Trial Right. This allows you to change to any Medigap plan with guaranteed acceptance and gives you a Special Enrollment Period to enroll in a Part D drug plan starting the first day of the next month. Once this 12-month trial period has passed, you must qualify medically to move to Medigap plan in most cases.
- If you want to consider an MA plan, you'll need to find out if your doctor takes this type of plan. Choosing between an MA plan and a Medigap plan is an easy decision if your doctor doesn't take MA plans and you don't want to change doctors. In this case a Medigap will be the better choice as it would allow you to keep your doctor.

So, you have a few choices to make. One choice that makes a big difference is deciding who will help you wade through and make sense out of all of the options. I would kindly ask you for the opportunity to serve in this important role. I, along with my associates have many years of experience and specialize in helping people that are new to Medicare. I always start by asking questions about your situation to be sure you need to take Medicare at 65. If you do, then I will

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help you determine which type of plan best suits your needs. Our clients have told us that our approach of evaluating their needs and preferences first and then taking the time to go over all of the options is especially helpful.

I am contracted with most of the major Medigap, Medicare Advantage and Part D drug plans. All companies have one set of rates no matter how you enroll, and our commission comes from them. Our services are never at any cost to you. Most importantly, our agency is independent. We are not biased toward one company or plan over another. Our commitment is to find whichever plan fits you best.

I am happy to have a conversation with you and answer as many questions as you like about whether you need to take Medicare at 65. If you do, we can set up a time to discuss this in detail. My office is in Rancho Mirage and I am happy to meet you remotely or in person. If there is any way I can help, please call my office at (760) 340-2805 or call me on my cell at (760) 567-0484.

Thank you!

Sandi Packer Morris

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How much does Part B cost? You pay a premium each month for Part B. Your Part B premium will be automatically deducted from your benefit payment if you get benefits from: Social Security, Railroad Retirement Board, or Office of Personnel Management. If you don't get these benefit payments, you'll get a bill.

The standard Part B premium amount in 2025 is \$185.00. Most people pay the standard Part B premium amount. If your modified adjusted gross income as reported on your IRS tax return from 2 years ago is above a certain amount, you'll pay the standard premium amount and an Income Related Monthly Adjustment Amount (IRMAA). IRMAA is an extra charge added to your premium.

If your yearly income in 2023 (for what you pay in 2025) was:

File individual tax return	File joint tax return	File married & separate tax return	You pay each month (in 2025)
\$105,000 or less	\$210,000 or less	\$105,000 or less	\$185.00
above \$105,000 up to \$131,000	above \$210,000 up to \$262,000	Not applicable	\$259.00
above \$131,000 up to \$163,000	above \$262,000 up to \$326,000	Not applicable	\$369.90
above \$163,000 up to \$196,000	above \$326,000 up to \$392,000	Not applicable	\$480.80
above \$196,000 and less than \$500,000	above \$392,000 and less than \$750,000	Above \$103,000 and less than \$397,000	\$591.90
above \$500,000	above \$750,000	Above \$397,000	\$628.90

How much does Part D cost? Most people only pay their Part D premium. If you don't sign up for Part D when you're first eligible, you may have to pay a [Part D late enrollment penalty](#).

If you have a higher income, you might pay more for your Medicare drug coverage. If your income is above a certain limit (\$103,000 if you file individually or \$206,000 if you're married and file jointly), you'll pay an extra amount in addition to your plan premium.

Part D Premiums by Income: The chart below shows your estimated prescription drug plan monthly premium based on your income as reported on your IRS tax return. If your income is above a certain limit, you'll pay an income-related monthly adjustment amount in addition to your plan premium.

If your yearly income in 2023 (for what you pay in 2025) was:

File individual tax return	File joint tax return	File married & separate tax return	You pay each month (in 2023)
\$105,000 or less	\$210,000 or less	\$105,000 or less	your plan premium
above \$105,000 up to \$131,000	above \$210,000 up to \$262,000	Not applicable	\$13.70 + your plan premium
above \$131,000 up to \$163,000	above \$262,000 up to \$326,000	Not applicable	\$35.30 + your plan premium
above \$163,000 up to \$196,000	above \$326,000 up to \$392,000	Not applicable	\$57.00 + your plan premium
above \$196,000 and less than \$500,000	above \$392,000 and less than \$750,000	Above \$103,000 and less than \$397,000	\$78.60 + your plan premium
above \$500,000	above \$750,000	Above \$397,000	\$85.80 + your plan premium